

Message Text

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ACTION PER-03

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FM AMEMBASSY BERN

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SUBJECT: LOCAL PERSONNEL: RETIREMENT BENEFITS AND U.S. DOLLAR
DEVALUATION

REF: STATE A-2710, MARCH 27, 1973

1. RECENTLY EMBASSY MET WITH SEVERAL FORMER US GOVERNMENT
LOCAL EMPLOYEES ON CIVIL SERVICE PENSIONS. RECENT DROP OF
DOLLAR TO RECORD LOW AGAINST FRANC HAS RESULTED IN RENEWED
FLURRY OF COMPLAINTS RE EFFECT OF ANNUITIES AND INQUIRIES
WHAT BEING DONE TO REMEDY SITUATION. LAST WORD EMBASSY
HAD FROM DEPARTMENT IS A-2710 OF MARCH 27, 1973 WHICH INDI-
CATED DISCUSSIONS HAD BEEN HELD WITH CIVIL SERVICE COMMISSION,
THAT LEGISLATION WOULD MOST PROBABLY BE REQUIRED, AND THAT PRO-
CESS WOULD BE TIME-CONSUMING. WE WERE ALSO INSTRUCTED, SINCE PRO-
SPECTS WERE NOT CONSIDERED TO BE BRIGHT, NOT TO RAISE FALSE
HOPES OF PROMPT RELIEF.

2. EMBASSY WOULD APPRECIATE OUTLINE OF DEPARTMENT'S EFFORTS
IN THIS REGARD SINCE MARCH OF LAST YEAR SO THAT WE ARE BETTER
EQUIPPED WITH FACTS WHEN WE RESPOND TO INQUIRIES. INDIVIDUALS
WE ARE DEALING WITH ARE WELL ACQUAINTED WITH MECHANICS OF US
GOVERNMENT AND CONCERNED ENOUGH NOT TO BE PUT OFF BY CLAIMS
THAT IT IS A DIFFICULT PROBLEM. THEY DEMAND SOME CONCRETE EVI-
DENCE THAT THEIR DILEMMA IS GETTING THE ATTENTION DESERVING
OF SOMEONE WHO HAS SPENT A LIFETIME OF EMPLOY WITH US GOVERNMENT.
ALSO, THE "TIME-CONSUMING" ARGUMENT, PRESENTED IN THE AIRGRAM
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OF MARCH 1973, IS WEARING A LITTLE THIN.

3. ONE OF THOSE PRESENT TODAY DEMONSTRATED THE EFFECT OF THE APPROXIMATE 40 PERCENT DROP OF DOLLAR SINCE SPRING OF 1971 ON HIS PARTICULAR ANNUITY. HIS APRIL 1971 ANNUITY CHECK WAS FOR DOLS 366 AND CONVERTED TO SF 1,572.90 AT THE PREVAILING RATE OF SF 4.2975 TO DOLS ONE. HIS MOST RECENT ANNUITY CHECK, OCTOBER 1974, TOTALED DOLS 496 DOLLARS AND HE RECEIVED SF 1,378.90 AT THE RATE OF SF 2.78. AT TODAY'S RATE OF 2.60 THAT SAME CHECK WOULD CONVERT TO SF 1,289.60. STATED IN SIMPLE TERMS, THE DETERIORATION OF THE DOLLAR HAS MORE THAN OFFSET THE COST-OF-LIVING ADJUSTMENTS OVER THE THREE-AND-A-HALF YEAR PERIOD.

4. ANOTHER FORMER EMPLOYEE PRESENT, WHO WORKED FOR THE CONSULATE IN GENEVA FROM 1930 UNTIL ITS CLOSURE AND LATER FOR THE MISSION, PRESENTED FIGURES TO SHOW SHE HAD LOST SF 19,429.30 IN THE LAST FOUR YEARS SINCE THE DOLLAR FELL BELOW THE 4.30 RATE. BEING FROM GENEVA, SHE POINTED OUT THAT UNITED NATIONS RAISED ALL ANNUITIES (PAID IN DOLLARS) FOR ITS RETIRED PERSONNEL BY 20 PERCENT IN JANUARY OF THIS YEAR TO PARTIALLY OFFSET THE DECLINE OF THE DOLLAR. RECENTLY, THE EMPLOYEES OF THE UNITED NATIONS IN GENEVA HELD A STRIKE IN SUPPORT OF THEIR RETIRED COLLEAGUES DEMANDING ANOTHER 20 PERCENT INCREASE IN RETIREMENT ANNUITIES TO COMPLETE COMPENSATION FOR DOLLAR DECLINE. IT HAS BEEN COMMENTED BY SOME OF THE ANNUITANTS THAT THE US GOVERNMENT, BY BEING THE LARGEST CONTRIBUTOR TO THE UN, IS PARTIALLY SUBSIDIZING THE INCREASE IN ANNUITIES OF UN EMPLOYEES, WHILE IGNORING THE FATE OF ITS OWN RETIRED EMPLOYEES.

5. ALTHOUGH THE SITUATION OF CIVIL SERVICE ANNUITANTS IN SWITZERLAND VARIED GREATLY, IT IS CLEAR THAT SOME ARE GETTING TO A DESPERATE POINT, ESPECIALLY SEVERAL WIDOWS WHOSE ANNUITIES WERE REDUCED BY FIFTY PERCENT AND THE REMAINDER SEVERELY AFFECTED BY THE DOLLAR DECLINE. THE ATTITUDE OF THOSE PRESENT AT THE MEETING WAS REMARKABLY DISPASSIONATE AND UNDERSTANDING, BUT THERE ARE SIGNS OF INCREASING FRUSTRATION AND EVEN BITTERNESS AND DISAPPOINTMENT THAT RETIRED EMPLOYEES OF THE US GOVERNMENT SHOULD BE REDUCED TO LETTER-WRITING CAMPAIGNS AND EXHORTATIONS TO SECURE A PENSION WHICH ALLOWS THEM TO LIVE SOMEWHAT ABOVE POVERTY LEVEL.

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6. WE UNDERSTAND SOME ARE CONSIDERING MAKING THEIR PLIGHT, PUBLIC BY CONTACTING THE MEDIA. MOST, DESPITE THEIR PLIGHT, ESCHEW THIS APPROACH FOR THEY HAVE NOT TOTALLY LOST FAITH DESPITE ALMOST FOUR YEARS OF DOLLAR DECLINE AND THE FUTILITY OF EFFORTS, SO FAR TO REDRESS THE SITUATION. IF, HOWEVER, THERE IS NOT SOME CONCRETE SIGN OF PROGRESS ON THIS PROBLEM IT IS QUITE POSSIBLE SOME MIGHT GO TO THE MEDIA.

7. SOME ANNUITANTS ARE EXCEEDINGLY FRUSTRATED AT LACK OF RESPONSIVENESS TO THEIR INDIVIDUAL INQUIRIES SENT TO THE DEPARTMENT AND THE CIVIL SERVICE COMMISSION. FOR INSTANCE, ONE ANNUITANT WAS TOLD IN A LETTER FROM THE CSC:"WE BELIEVE THAT THE AUTOMATIC COST-OF-LIVING ADJUSTMENTS DUE TO COST-OF-LIVING INCREASES IN THE UNITED STATES ARE A LOGICAL APPROACH TO THIS PROBLEM." THE ABSURDITY OF THIS ARGUMENT IS CLEAR TO THE ANNUITANTS WHO ARE WELL AWARE THAT THE INFLATION RATE IN SWITZERLAND HAS EXCEEDED THAT IN THE US, AT LEAST UNTIL VERY RECENTLY. THE PLAIN FACT IS THAT IF ONE CONSIDERS THE COST-OF-LIVING ADJUSTMENTS AS PARTIAL COMPENSATION FOR DOLLAR EROSION, THEN THE ANNUITIES HAVE STILL SUFFERED AN APPROXIMATE 40 PERCENT DECREASE DUE TO LOCAL INFLATION.

8. CLEARLY WE OWE TO OUR FORMER EMPLOYEES ON CIVIL SERVICE RETIREMENT A COMPLETE EXPLANATION OF OUR EFFORTS TO IMPROVE THE SITUATION. MOREOVER, WE BELIEVE THAT THE DEPARTMENT SHOULD MAKE A CONCERTED EFFORT TO HAVE LEGISLATION INTRODUCED WHICH WOULD PROVIDE FOR A METHOD OF COMPENSATION IN THOSE COUNTRIES WHERE THE LOCAL CURRENCY RISES IN VALUE BY A CERTAIN PERCENTAGE OVER THE DOLLAR RATE THAT WAS USED IN CALCULATING THE ORIGINAL ANNUITY. PERHAPS THE DEPARTMENT HAS NOT HAD A WORLD-WIDE CHORUS OF COMPLAINTS ON THIS SUBJECT BECAUSE THE DOLLAR HAS NOT SLIPPED BADLY AGAINST OTHER CURRENCIES, BUT THIS DOES NOT EASE THE PLIGHT OF THE ANNUITANTS IN SWITZERLAND, WHERE THE PROBLEM IS MOST ACUTE GIVEN THE STRONG RISE OF THE SWISS FRANC AGAINST THE DOLLAR.

9. EVENTUALLY, THIS PROBLEM WILL DISAPPEAR NOW THAT LOCAL EMPLOYEES ARE ENROLLING IN THE SOCIAL SECURITY SYSTEMS, BUT, IN THE MEANTIME, WE SHOULD NOT IGNORE THOSE ANNUITANTS WHO ARE THE UNFORTUNATE AND UNWITTING VICTIMS OF CURRENCY FLUCTUATIONS.

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